



Chartered
Insurance
Institute

AF1

Advanced Diploma in Financial Planning

Unit AF1 – Personal tax and trust planning

September 2023 Examination Guide

SPECIAL NOTICES

Candidates entered for the February 2024 examination should study this examination guide carefully in order to prepare themselves for the examination.

Practice in answering the questions is highly desirable and should be considered a critical part of a properly planned programme of examination preparation.

AF1 – Personal tax and trust planning

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Published November 2023

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IMPORTANT GUIDANCE FOR CANDIDATES

Introduction

The purpose of this Examination Guide is to help you understand how examiners assess candidates' knowledge and their ability to apply this to a case study scenario. You can then use this understanding to help you in your preparation for the examination.

Before the examination

Study the syllabus carefully

This is available online at www.cii.co.uk. All the questions in the examination are based directly on the syllabus. *You will be tested on the syllabus alone*, so it is vital that you are familiar with it.

There are books specifically produced to support your studies that provide coverage of all the syllabus areas, however you should be prepared to **read around the subject**. This is important particularly if you feel that further information is required to fully understand a topic or an alternative viewpoint is sought. The reading list which can be found with the syllabus provides valuable suggestions.

Note the assumed knowledge

For the Advanced Diploma in Financial Planning, candidates are assumed to have studied the relevant units of the Diploma in Financial Planning or the equivalent. This knowledge is set out on the relevant syllabus.

Read widely

If you do not have experience in advising clients whose financial needs are relatively sophisticated, *it is quite unrealistic to expect that the study of a single textbook will be sufficient to meet all your requirements*. While books specifically produced to support your studies will provide coverage of all the syllabus areas, you should be prepared to read around the subject. This is important, particularly if you feel that further information is required to fully understand a topic, or an alternative viewpoint is sought. It is vital that your knowledge is widened beyond the scope of one book. The reading list which can be found with the syllabus provides valuable suggestions.

Make full use of the Examination Guide

This Examination Guide contains a full examination paper and model answers. The model answers show the types of responses the examiners are looking for and which would achieve maximum marks, *however, you should note that there are alternative answers to some question parts which would also gain high marks*. For the sake of clarity and brevity not all of these alternative answers are shown.

This guide and previous Examination Guides can be treated as ‘mock’ examination papers. Attempting them under examination conditions as far as possible, and then comparing your answers to the model ones, should be seen as an essential part of your exam preparation. The examiner’s comments on candidates’ actual performance in each question provide further valuable guidance. You can obtain copies of the two most recent examination guides free of charge at www.cii.co.uk.

Know the layout of the tax tables

Familiarise yourself with the information contained within the tax tables printed at the back of each Examination Guide. These tax tables will be provided to candidates as part of the examination. The tax tables enable you to concentrate on answering the questions without having to worry about remembering all the information. *Please note that you are not allowed to take your own tax tables into the examination, these are provided in the portal as you sit the exam (see page 6)*.

Know the structure of the examination

Assessment is by means of a three-hour written paper in two sections. All questions are compulsory:

Section A consists of one case study, worth 80 marks. You will be expected to carry out a variety of tasks, after analysing the information provided.

Section B consists of two shorter case studies worth a total of 80 marks. Again you will be expected to carry out a variety of tasks based upon the information provided.

Each question part will clearly show the maximum marks which can be earned.

Appreciate the standard of the examination

Candidates must demonstrate that they are capable of advising clients *whose overall levels of income and capital require a more sophisticated scheme of investment* than is normally prepared by a level 4 qualified adviser. These clients require a critical appraisal of the various financial planning options available to them.

Read the Assessment information and Exam policies for candidates

The details of administrative arrangements and the regulations which form the basis of your examination entry are available online at www.cii.co.uk/qualifications/assessment-information/introduction/. This is *essential reading* for all candidates.

On-screen written exam familiarisation (Demo 1)

The familiarisation test allows you to experience using the assessment platform before your exam. Please note that while there might be slight differences in layout it will give you a good idea of how to navigate and use the platform functionality. This test is for the purpose of familiarisation with the assessment platform only. You can also access past exam papers here: <https://www.cii.co.uk/learning/qualifications/assessment-information/before-the-exam/exam-papers-and-test-specifications/>

You can access the familiarisation test at any time.

<https://www.cii.co.uk/learning/qualifications/assessment-information/on-screen-written-exams-by-remote-invigilation/exam-familiarisation/>

The familiarisation test is designed to allow you to go through the end-to-end process from logging in to answering test questions, before the day of your exam. **We strongly advise that you try the familiarisation test once you have received your login details and well in advance of the actual exam day to help pre-empt any potential exam day technical issues.**

Please note you are strongly advised not to use a laptop provided by your employer.

Laptops and IT equipment provided by your employer typically include security protocols that conflict with any remote invigilation software. You should also avoid using a corporate Wi-Fi or any other internet connection that may include firewalls that you cannot personally control.

- From the AF1 familiarisation test, ensure you can scroll right and see the whole screen. Ensure your screen resolution shows all the features including the button to return back to your answers to **edit** them. To return to edit any answer you have already typed, you must press 'Answer' for the question you are already in otherwise it will not let you select a previous question you have answered to edit.

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AF1 October 2019

SECTION A

This question is compulsory and carries 80 marks

Question 1

Read carefully all information provided in the case study before attempting the questions. Your answers should take into account the client's circumstances as set out in the case study. Please carry out ALL of the tasks (a), (b), (c), (d) and (e) which follow.

Andrew, aged 63, a higher rate taxpayer has two adult children, Lance and Hayley. Lance is a basic rate taxpayer and Hayley is a non-taxpayer. Hayley needs regular care as a result of the injuries she suffered in a motor accident when she was a child. Lance has two young children both under the age of 10. Andrew's mother, Peggy, a widow, died on 1 March 2019 leaving her entire estate to Andrew. Peggy inherited her Aunt's estate of £400,000 in February 2016 following the payment of £30,000 Inheritance Tax (IHT) that was due following the administration of her estate. Peggy's estate was comprised of the following on her death:

House	£700,000
Deposit accounts	£323,000
Cash ISAs	£55,000
FTSE listed shares	£150,000
Collective investment portfolio	£101,000
Personal Pension nominated to a discretionary trust	£326,000

Peggy's husband Frank, died in 2016, leaving his share of their house and his residual estate to Peggy. Frank made only one gift in the seven years before he died. He settled £450,000 into a discretionary trust just under four years earlier. Inheritance Tax (IHT) of £23,800 was paid at outset by the trustees. Following Peggy's death, Andrew is the only remaining trustee. Andrew is in discussions with his solicitors to draft a Will and they have suggested he arrange a Lasting Power of Attorney (LPA) for Property & Financial Affairs. Andrew intends to make some provision for his children and grandchildren. His income is around £10,000 a year higher than his outgoings. He has a variety of savings accounts and an onshore life assurance bond invested in a managed fund which has performed well over the years.

To gain maximum marks for calculations you must show all your workings and express your answers to two decimal places.

1. (a) Calculate, showing all your workings, the IHT due as a result of Peggy's death on the 1 March 2019. (13)

« Inf01 Inf02 Inf03 **1a** 1b 1c 1d 1e Inf04 2a 2b 2c 2d 2e Inf05 3a 3b 3c Inf06 »

Flag Edit

This question has been answered. Click here to enable you to edit your answer.

- Tax tables are provided at the right-hand side of the interface after the question paper for candidates to use which is different to the CIIs multiple choice exams. Please do not bring your own copies into the exam. Scroll up and down using the navigation bar.

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AF1 October 2019

INCOME TAX

RATES OF TAX	2018/2019	2019/2020
Starting rate for savings*	0%	0%
Basic rate	20%	20%
Higher rate	40%	40%
Additional rate	45%	45%
Starting-rate limit	£5,000*	£5,000*
Threshold of taxable income above which higher rate applies	£34,500	£37,500
Threshold of taxable income above which additional rate applies	£150,000	£150,000
Child benefit charge:		
1% of benefit for every £100 of income over	£50,000	£50,000

*not applicable if taxable non-savings income exceeds the starting rate band of £5,000.

Dividend Allowance		£2,000
Dividend tax rates		
Basic rate		7.5%
Higher rate		32.5%
Additional rate		38.1%
Trusts		
Standard rate band		£1,000
Rate applicable to trusts		
- dividends		38.1%
- other income		45%

MAIN PERSONAL ALLOWANCES AND RELIEFS

Income limit for Personal Allowance †	£100,000	£100,000
Personal Allowance (basic)	£11,850	£12,500
Married/civil partners (minimum) at 10% †	£3,360	£3,450
Married/civil partners at 10% †	£8,695	£8,915
Marriage Allowance	£1,190	£1,250
Income limit for Married Couple's Allowance †	£28,900	£29,600
Rent a Room scheme – tax free income allowance	£7,500	£7,500

Andrew, aged 63, a higher rate taxpayer has two adult children, Lance and Hayley. Lance is a basic rate taxpayer and Hayley is a non-taxpayer. Hayley needs regular care as a result of the injuries she suffered in a motor accident when she was a child. Lance has two young children both under the age of 10. Andrew's mother, Peggy, a widow, died on 1 March 2019 leaving her entire estate to Andrew. Peggy inherited her Aunt's estate of £400,000 in February 2016 following the payment of £30,000 Inheritance Tax (IHT) that was due following the administration of her estate. Peggy's estate was comprised of the following on her death:

House	£700,000
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Personal Pension nominated to a discretionary trust	£326,000

Peggy's husband Frank, died in 2016, leaving his share of their house and his residual estate to Peggy. Frank made only one gift in the seven years before he died. He settled £450,000 into a discretionary trust just under four years earlier. Inheritance Tax (IHT) of £23,800 was paid at outset by the trustees. Following Peggy's death, Andrew is the only remaining trustee. Andrew is in discussions with his solicitors to draft a Will and they have suggested he arrange a Lasting Power of Attorney (LPA) for Property & Financial Affairs. Andrew intends to make some provision for his children and grandchildren. His income is around £10,000 a year higher than his outgoings. He has a variety of savings accounts and an onshore life assurance bond invested in a managed fund which has performed well over the years.

With regard to the discretionary trust established by Frank:

1. (b)(i) Explain to Andrew why IHT was payable when assets were placed into the trust and how it was calculated. No calculation is required. (6)

« Inf01 Inf02 Inf03 **1a** **1b** 1c 1d 1e Inf04 2a 2b 2c 2d 2e Inf05 3a 3b 3c Inf06 »

Flag Clear

3. Once you have typed in your answer ensure you click the red 'Answer' box, this will save your answer and move you onto the next question. Unless you press 'Answer', you will not be permitted to move onto other questions. Furthermore, please do not type all of your answers for every question into the answer space for Q1a. You should familiarise yourself with all questions prior to starting the exam.

The screenshot shows the AF1 exam interface. On the left, there are navigation buttons: 'Prev', 'Nav', 'Next', and 'Clear Highlight'. Below these are three questions: (i) a calculation question (6 marks), (ii) a question about IHT (8 marks), and (iii) a question about trustee duties (12 marks). A text input area with a rich text editor is visible, and a red 'Answer' button is at the bottom left. On the right, a reference table titled 'INCOME TAX' for 'AF1 October 2019' is displayed. The table includes rates of tax, child benefit charge, dividend allowance, trusts, and main personal allowances and reliefs.

AF1 October 2019		
INCOME TAX		
RATES OF TAX	2018/2019	2019/2020
Starting rate for savings*	0%	0%
Basic rate	20%	20%
Higher rate	40%	40%
Additional rate	45%	45%
Starting-rate limit	£5,000*	£5,000*
Threshold of taxable income above which higher rate applies	£34,500	£37,500
Threshold of taxable income above which additional rate applies	£150,000	£150,000
Child benefit charge:		
1% of benefit for every £100 of income over	£50,000	£50,000
*not applicable if taxable non-savings income exceeds the starting rate band of £5,000.		
Dividend Allowance		£2,000
Dividend tax rates		
Basic rate		7.5%
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Trusts		
Standard rate band		£1,000
Rate applicable to trusts		
- dividends		38.1%
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MAIN PERSONAL ALLOWANCES AND RELIEFS		
Income limit for Personal Allowance §	£100,000	£100,000
Personal Allowance (basic)	£11,850	£12,500
Married/civil partners (minimum) at 10% †	£3,360	£3,450
Married/civil partners at 10% †	£8,695	£8,915
Marriage Allowance	£1,190	£1,250
Income limit for Married Couple's Allowance†	£28,900	£29,600
Rent a Room scheme – tax free income allowance	£7,500	£7,500

4. On the day of the AF1 exam, please click on the AF1 Personal tax and trust planning:

The image shows two buttons with a folder icon on the left. The top button is labeled 'AF1 Personal tax and trust planning' and the bottom button is labeled 'on-screen written exam demonstration (Demo 1)'. Both buttons are in a light blue color with a dark blue border.

5. The above screenshot shows the point before the exam has started; you wish to take a moment at this screen to jot down any notes on paper that may assist you during the exam. Please note the exam timer will not start until you click the exam titled: **AF1 Personal tax and trust planning**.

In the examination

The following will help:

Spend your time in accordance with the allocation of marks:

- The marks allocated to each question part are shown on the paper.
- If a question has just two marks allocated, there are likely to be only one or two points for which the examiner is looking for, so a long answer is wasting valuable time.
- Conversely, if a question has 12 marks allocated, a couple of lines will not be an adequate answer. Always remember that if the paper is not completed, your chances of passing will be reduced considerably.
- Do not spend excessive time on any one question; if the time allocation for that question has been used up, leave some space, go on to the next question and return to the incomplete question after you have completed the rest of the paper, if you have time.

Take great care to answer the question that has been set.

- Many candidates leave the examination room confident that they have written a 'good' paper, only to be surprised when they receive a disappointing result. Often, the explanation for this lies in a failure to think carefully about what the examiner requires before putting pen to paper.
- Highlighting key words and phrases is a technique many candidates find useful.
- The model answers provided in this Examination Guide would gain full marks. Alternative answers that cover the same points and therefore answer the question that has been asked would also gain full marks.

Tackling questions

Tackle the three questions in whatever order feels most comfortable. Generally, it is better to leave any questions which you find challenging until you have attempted the questions you are confident about. Candidates should avoid mixing question parts, (for example, 1(a)(i) and (ii) followed by 2(b)(ii) followed by 1(e)(i)) as this often leads to candidates unintentionally failing to fully complete the examination paper. This can make the difference between achieving a pass or a narrow fail.

It is vital to label all parts of your answer correctly as many questions have multiple parts to them (for example, question 1(a) may have parts (i), (ii) and (iii)). Failure to fully distinguish between the separate question parts may mean that full credit cannot be awarded. It is also important to note that a full answer must be given to each question part and candidates should not include notes such as 'refer to answer given in 1(b)(i)'.

Answer format

Unless the question requires you to produce an answer in a particular format, such as a letter or a report, you should use 'bullet points' or short paragraphs. The model answers indicate what is acceptable for the different types of question.

Marks are not lost due to poor spelling or grammar.

You are able to flag questions and then go back to them.

Calculators

The calculator is in a pop-up box on the right-hand side of the interface. It is important to show all steps in a calculation in your answer, even if you have used a calculator. You are permitted to use your own calculator.

Tips for laying out calculations in on-screen written exams

Where you are asked to perform a calculation, it is important to show **all the steps** in your answer. Most of the marks will be allocated for demonstrating the correct method of calculation.

While there are no marks for presentation, laying the calculation out well will make it easier for the examiner to identify all of the marks you have achieved. It does not matter how long the calculation is, if it is well set out. There is no preferred format but following the below guidelines is often helpful:

- Set out each stage of your calculation on a separate line.
- Label the values used i.e. in an IHT calculation:
 - Main residence £500k,
 - Onshore Bond £100k.
- Identify all allowances, exemptions, tax bands, tax rates used in £ terms.
- Use subtotals where appropriate. For example:
 - Total assets - £1,500,000
 - Nil rate band (NRB) – (£325,000)
 - Residence nil rate band (RNRB) – (£175,000)
 - Assets after allowances - £1,000,000
- Show all your workings. This could include:
 - grossing up of pension contributions,
 - how you work out the allowances if they are not standard,
- Make notes where appropriate. For example:
 - Bond loss is excluded
 - ISA income ignored
- Double check all of your figures.

Please note that it is currently not possible to insert tables for AF1 exams. You are required to type your answers without the requirement for alignment. As guidance, please refer to the model answers provided in any Exam Guides as templates.

There are no special formulas you are required to be aware of included in the system to submit your answers.

EXAMINERS' COMMENTS

Candidates' overall performance

In general, candidates performed well in the September 2023 AF1 exam.

The Inheritance Tax (IHT) and National Insurance contributions (NICs) calculations were well answered and it was also pleasing to see candidates perform well in question 1(f) relating to Powers of Attorney, an area of the syllabus candidates have generally struggled with in recent AF1 exams.

However, there were questions candidates answered less well and candidates are reminded to ensure they have covered all areas of the syllabus in their studies prior to entering the exam. It is also important that candidates include as much detail as possible in their answers and use the information available to them in the case studies.

Many candidates performed poorly on the Capital Gains Tax (CGT) calculation in question 3(b), as they did not identify that Private Residence Relief (PRR) would not apply to the part of the property that was let out.

Other areas candidates struggled with were the taxation of trusts, residency and the responsibilities of an employer for paying Income Tax and NICs.

Question 1

Part (a) asked candidates to describe the extent to which Sally's estate will qualify for the Residence Nil Rate Band (RNRB). Many candidates identified that as the value of Sally's estate exceeded £2,000,000, the RNRB would be tapered by £1 for every £2 in excess of £2,000,000. The majority of candidates also correctly identified Sally would be entitled to a transferable RNRB, although fewer candidates were able to explain that as her husband died before the RNRB was introduced, he was treated as having not used it.

It was disappointing candidates generally failed to identify the reason Sally was entitled to the RNRB was that Penny, a direct descendant, had a qualifying interest in possession under the Immediate Post Death Interest Trust (IPDI) created in Sally's Will.

In part (b)(i), candidates had to calculate the IHT liability on Sally's estate. The common errors made by candidates who failed to score full marks were deducting the business relief (BR) for the AIM share portfolio from the value of the estate before calculating the tapering of the RNRB and only tapering Sally's RNRB, instead of the total RNRB, including the transferable RNRB.

Part (b)(ii) required candidates to explain the impact of Sally making a lifetime gift in the tax year she died and the effect this would have had on her IHT liability. Many candidates identified the use of the annual exemptions and that any gift in excess of the available annual exemptions would have remained chargeable to IHT. Some of the better prepared candidates were able to explain how the RNRB could have been reinstated in full, reducing the IHT payable, if a gift had been made at any time up to the date of death, which reduced the value of the estate below £2,000,000.

Part (c)(i) asked candidates to describe briefly the tax treatment of any income received by the trustees of the Will Trust. It was disappointing that many candidates incorrectly provided answers on the basis of the taxation of income received by the trustees of a discretionary trust.

In part (c)(ii), candidates were asked to describe how Penny will be taxed on any income distributed to her by the trustees of the Will Trust. This question was generally not well answered although many candidates were awarded a mark for stating income is distributed to Penny with a credit for tax paid by the trustees. Few marks were given to those candidates who incorrectly provided answers based on the distribution of income from a discretionary trust.

Those candidates who answered part (c) based on the taxation of a discretionary trust also performed poorly in part (d).

Part (d)(i) required candidates to describe the CGT treatment of the assets in the Will Trust following Penny's death. Marks were awarded to candidates who correctly identified the tax treatment of an IPDI, however, as answers generally lacked detail, high marks were not achieved.

In Part (d)(ii), candidates had to explain the IHT implications for Penny and the Will Trust when Penny dies. This question was poorly answered with many candidates incorrectly stating the value of the trust would not be included in Penny's estate for IHT purposes.

The answers candidates provided for part (e), which required candidates to explain how Penny can be removed as a trustee of the Will Trust due to the impact of her recent diagnosis of early-onset dementia, were extremely disappointing. This was a test of level 4 knowledge and candidates were expected to perform better in this question.

Part (f) asked candidates to explain the drawbacks of Penny losing mental capacity without a valid Power of Attorney (POA) in place. This question was generally well answered and candidates who had prepared well for the exam scored high marks.

In part (g), candidates had to describe Theo's residency status in the 2023/2024 tax year if he returns to the UK on 1 January 2024. This question has been tested previously in AF1 and it was disappointing that few candidates performed well. Many candidates correctly came to the conclusion Theo would be automatically UK resident, but were unable to explain the reasons for this.

Part (h) required candidates to explain how Theo's return to the UK will affect the taxation of the gain on his onshore investment bond. This question was not well answered and although some candidates identified the gain would be taxable as Theo's period of non-residence was temporary, a lack of detail prevented candidates from earning many marks. It was also particularly disappointing that some candidates incorrectly answered on the basis the gain would be subject to CGT.

Question 2

Part (a), which was a calculation of Jitesh's Income Tax liability for the 2023/2024 tax year, was generally well answered. Those candidates who did not score full marks commonly made mistakes calculating the amount of income taxable at higher and additional rate and some didn't add the High Income Child Benefit Charge to the total Income Tax liability. It was also disappointing that some candidates incorrectly used the dividend allowance and rates for the 2022/2023 tax year.

Part (b) asked candidates to calculate Jitesh's NICs liability for the 2023/2024 tax year. This question was generally very well answered with many candidates scoring full marks.

In part (c), candidates were required to explain when Jitesh's employer would need to pay the Income Tax and NICs liability to HM Revenue & Customs (HMRC). This was generally very poorly answered. A lack of knowledge was demonstrated in this area with some candidates providing incorrect answers based on the self-assessment responsibilities for self-employed individuals.

Part (d) was a test of the changes to the pensions annual allowance in the 2023/2024 tax year, as candidates were asked to explain how Jitesh's annual allowance will be calculated. This was generally well answered, although some candidates provided answers based on the annual allowance (AA) of £40,000 prior to the 2023/2024 tax year.

In part (e), candidates had to state five of the qualifying conditions for a company to raise funds under a Seed Enterprise Investment Scheme (SEIS). There were some good answers from those candidates who had prepared well for the exam, although many candidates struggled to score high marks.

Question 2 concluded with part (f), in which candidates had to state five factors that should be considered before advising Jitesh and Sita on appropriate investments for their children. This question was generally very well answered.

Question 3

Part (a)(i) asked candidates to describe why Caitlin is eligible to use HMRC's Rent a Room Scheme. This was generally well answered with many candidates correctly stating the property is Caitlin's home and is furnished.

In part (a)(ii), candidates were asked to explain briefly the Income Tax benefits if Caitlin uses HMRC's Rent a Room Scheme. This was answered less well and although the majority of candidates identified there is a £7,500 tax-free allowance, few were able to explain the £7,500 tax-free allowance is applicable even if Caitlin lets the room for less than 12 months.

In part (a)(iii), candidates were required to explain briefly the impact on the Income Tax payable on the rental income if Caitlin and Marc had owned the flat as joint tenants. This was generally answered well.

Part (b) was a calculation of the CGT payable if Caitlin sells the flat on 30 September 2023. Unfortunately this was not well answered as many candidates failed to use the information provided in the case study to identify that Private Residence Relief (PRR) would only apply to 80% of the property occupied by Caitlin and that Letting Relief would apply to 20% of the property let out. There were also basic errors in calculating the gain and some candidates used the incorrect annual exemption and tax rates.

In part (c), candidates were asked to explain the CGT implications if Caitlin and Marc owned the flat as joint tenants prior to the sale. Many candidates correctly explained Marc is a higher rate tax payer and would pay 28% on his share of the gain in excess of his annual exempt amount. However, it was particularly disappointing few candidates identified the transfer of equity to Marc would be on a no gain/no loss basis meaning no CGT liability would arise.

In part (d)(i), candidates were asked to explain briefly the impact of Marc and Caitlin's marriage on Marc's existing Will. This was generally very well answered with many candidates achieving the maximum number of marks.

The exam concluded with part (d)(ii), which asked candidates to explain the requirements for a Will to be legally valid. This was a test of level 4 knowledge and it was disappointing much fewer candidates scored the maximum number of marks compared to part (d)(i).

Unit AF1 – Personal tax and trust planning

Instructions to candidates

Read the instructions below before answering any questions.

All questions in this examination are based on English law and practice applicable in the tax year 2023/2024, unless stated otherwise in the question, and should be answered accordingly. It should be assumed that all individuals are domiciled and resident in the UK unless otherwise stated.

If you are sitting via remote invigilation please

- Write down the following number **+44 (0)80 8273 9244** this is the number to use if your system freezes or you get forced out of your exam. It is fine to phone it if you have these issues.
- Show your ID to the camera now, if you did not do so during the ID checks.
- Show the edge of your screen with a mirror, if you did not do this during the room scan.
- Show any blank sheets of paper for notes, if you did not show both sides to the camera during the room scan.

If you are sitting in a test centre and encounter a problem, please alert the invigilator.

For candidates sitting via remote invigilation or at a test centre

- **Three hours** are allowed for this paper which carries a total of 160 marks as follows:
Section A: 80 marks
Section B: 80 marks
- You are advised to spend approximately 90 minutes on Section A and 90 minutes on Section B, **both questions are compulsory.**
- You are strongly advised to attempt **all** questions to gain maximum possible marks.
- The number of marks allocated to each question part is given next to the question and you should spend your time in accordance with that allocation.
- Read carefully all questions and information provided before starting to answer. Your answer will be marked strictly in accordance with the question set.
- The calculator is in a pop-up box on the right-hand side of the interface. It is important to show all steps in a calculation in your answer, even if you have used a calculator.
- **Tax tables are provided at the right-hand side of the interface after the question paper, this is different to the multiple choice exams.**
- For each answer, please type in the full question number you are answering e.g. 1a
- **Please note each answer must be typed in the correct corresponding answer box**
- **If you are wearing headset, earphones, smart watch please take them off. No watches are permitted**
- Please familiarise yourself with **all** questions before starting the exam.

Subject to providing sufficient detail you are advised to be as brief and concise as possible, using note format and short sentences.

SECTION A

This question is compulsory and carries 80 marks

Read carefully all information provided in the case study before attempting the questions. Your answers should take into account the clients' circumstances as set out in the case study. Please carry out ALL of the tasks (a), (b), (c), (d), (e), (f), (g) and (h) which follow.

Question 1

Sally, a widow, died on 1 May 2023. She had one child, Penny, aged 60, and two grandchildren, Robin and Theo.

Sally's husband died ten years ago, leaving his estate valued at £800,000, which included his share of the family home, to Sally.

In her Will, Sally left her entire estate to a life interest trust for the benefit of Penny. When Penny's interest ends, the remaining capital will pass into a discretionary trust for the benefit of her grandchildren.

Penny, Robin and Theo are executors of the Will and trustees of the Trust. The administration of the estate is expected to be completed early in 2024.

Sally's estate is comprised of the following assets:

Asset	Value at date of death (£)
House	1,500,000
Current Account	60,000
Cash ISA	80,000
General Investment Account	375,000
AIM Share Portfolio – purchased 1 April 2021	295,000
Stocks and Shares ISA	125,000

Sally had made no lifetime gifts.

Penny has recently been diagnosed with early-onset dementia. She has no Power of Attorney in place and her family have consulted a solicitor about how they can manage her affairs when she loses mental capacity.

Robin and Theo are concerned about how Penny's condition will affect her ability to act as trustee of their grandmother's Will Trust and how the trust will be taxed on her eventual death.

Theo has been living and working in France since 1 January 2020 in rented accommodation. He is planning to return to the UK on 1 January 2024 to be closer to his family following his grandmother's death. He already owns a home in the UK which he will live in immediately on his return.

When he moved to France, Theo retained his UK investments, including an onshore investment bond. He surrendered the bond on 1 September 2021 for £280,000. Theo had originally invested a single premium of £250,000 and no previous withdrawals had been taken.

PLEASE ENSURE YOU TYPE YOUR ANSWER TO EACH QUESTION IN THE CORRECT ANSWER BOX.

Questions

To gain maximum marks for calculations you must show all your workings and express your answers to two decimal places.

- (a) Describe the extent to which Sally's estate will qualify for the Residence Nil Rate Band. (10)
- (b) (i) Calculate, **showing all your workings**, the Inheritance Tax (IHT) liability on Sally's estate. (12)
- (ii) Explain the impact of Sally making a lifetime gift in the tax year she died and the effect this would have had on her IHT liability. (6)
- (c) (i) Describe briefly the tax treatment of any income received by the trustees of the Will Trust. (4)
- (ii) Describe how Penny will be taxed on any income distributed to her by the trustees of the Will Trust. (7)
- (d) (i) Describe the Capital Gains Tax (CGT) treatment of the assets in the Will Trust following Penny's death. (7)
- (ii) Explain the IHT implications for Penny and the Will Trust when Penny dies. (6)
- (e) Explain how Penny can be removed as a trustee of the Will Trust due to the impact of her recent diagnosis of early-onset dementia. (6)
- (f) Explain the **drawbacks** of Penny losing mental capacity without a valid Power of Attorney in place. (8)
- (g) Describe Theo's residency status in the 2023/2024 tax year if he returns to the UK on 1 January 2024. (7)
- (h) Explain how Theo's return to the UK will affect the taxation of the gain on his onshore investment bond. (7)

Total marks for this question: 80

SECTION B

Both questions in this section are compulsory and carry an overall total of 80 marks

Question 2

Read carefully all information provided in the case study before attempting the questions. Your answers should take into account the clients' circumstances as set out in the case study. Please carry out ALL of the tasks (a), (b), (c), (d), (e) and (f) follow.

Jitesh and Sita are married with three children under the age of 10.

Jitesh is the Managing Director of a successful company. His annual salary, paid monthly, will be £265,000 in the 2023/2024 tax year. As part of his employment package the company provides Private Medical Insurance (PMI) and the taxable value of this is £5,000. Jitesh will also pay a gross contribution of £40,000 into his self-invested personal pension (SIPP) in the tax year 2023/2024.

Sita has always claimed Child Benefit for each of their children. In the 2023/2024 tax year she will receive a total amount of £2,901.60.

Jitesh and Sita receive income from the following savings and investments:

Asset	Owner	Income (£)
Deposit Account	Jitesh	1,450
Portfolio of blue chip shares	Jitesh	2,700
Stocks and Shares ISA	Jitesh	1,300
Stocks and Shares ISA	Sita	2,900

Jitesh and Sita both have an adventurous attitude to risk and are keen to invest in products that will help reduce their overall Income Tax liability. They would also like to start investing regularly for their children's futures.

Questions

To gain maximum marks for calculations you must show all your workings and express your answers to two decimal places.

- (a) Calculate, **showing all your workings**, Jitesh's Income Tax liability for the tax year 2023/2024. (15)
- (b) Calculate, **showing all your workings**, Jitesh's National Insurance contributions (NICs) liability for the tax year 2023/2024. *You should calculate this on a weekly basis.* (6)
- (c) Explain when Jitesh's employer will need to pay the Income Tax and NICs liability to HM Revenue & Customs. (4)
- (d) Explain in detail, **using figures where appropriate**, how Jitesh's annual allowance will be calculated in the tax year 2023/2024. (5)
- (e) State **five** of the qualifying conditions for a company to raise funds under a Seed Enterprise Investment Scheme. (5)
- (f) State **five** factors that should be considered before advising Jitesh and Sita on appropriate investments for their children. (5)

Total marks available for this question: 40

Question 3

Read carefully all information provided in the case study before attempting the questions. Your answers should take into account the clients' circumstances as set out in the case study. Please carry out ALL of the tasks (a), (b), (c) and (d) which follow.

Marc, aged 41, and Caitlin, aged 40, married in August 2023. They live in a two-bedroom flat in London owned by Caitlin. She works part-time earning £16,000 a year.

Since Caitlin bought the flat, she has made her second bedroom available to let during the summer months. The bedroom is furnished and represents an area equivalent to 20% of the flat.

Caitlin expects to receive £10,000 gross in rental income in the 2023/2024 tax year. She pays £1,200 a year for a regular cleaning service.

Marc is employed earning £62,000 a year. He sold his own property and moved in with Caitlin on 31 July 2023.

Caitlin is considering selling her flat so that she and Marc can purchase a larger home together. She bought the property for £300,000 on 1 January 2012 paying Stamp Duty Land Tax of £1,500 and legal costs of £3,000. She expects to achieve a sale price of £550,000 and would incur sale costs of £10,000.

Caitlin does not have a Will and is aware that she should make one as soon as possible. Marc is less concerned because he already has a Will that he made prior to their marriage.

Questions

To gain maximum marks for calculations you must show all your workings and express your answers to two decimal places.

- (a) (i) Describe why Caitlin is eligible to use HM Revenue & Custom's Rent a Room Scheme. (4)
- (ii) Explain briefly the Income Tax benefits if Caitlin uses HM Revenue & Customs Rent a Room Scheme. (4)
- (iii) Explain briefly the impact on the Income Tax payable on the rental income if Caitlin and Marc had owned the flat as joint tenants. *No calculations are required.* (3)
- (b) Calculate, **showing all your workings**, the Capital Gains Tax (CGT) payable if Caitlin sells the flat on 30 September 2023 for the expected sale price and costs. (13)
- (c) Explain the CGT implications if Caitlin and Marc owned the flat as joint tenants prior to the sale. *No calculations are required.* (7)
- (d) (i) Explain briefly the impact of Marc and Caitlin's marriage on Marc's existing Will. (3)
- (ii) Explain the requirements for a Will to be legally valid. (6)

Total marks for this question: 40

NOTE ON MODEL ANSWERS

The model answers given are those which would achieve maximum marks. However, there are alternative answers to some question parts which would also gain high marks. For the sake of clarity and brevity not all of these alternative answers are shown. An oblique (/) indicates an equally acceptable alternative answer.

Model answer for Question 1

- 1. (a)**
- Sally's estate is entitled to the Residence Nil Rate band (RNRB)
 - because her estate is treated as passing to direct descendants
 - as Penny has a qualifying interest in possession
 - under the Immediate Post Death Interest Trust (IPDI) created in Sally's Will.

 - Sally is entitled to a transferable RNRB
 - as although her husband died before the RNRB was introduced from 6 April 2017

 - he is treated as having not used it.

 - As the value of Sally's estate including the AIM shares/Business Relief (BR) qualifying assets
 - is in excess of £2,000,000
 - the total RNRB available is reduced by £1 for every £2 in excess of £2,000,000.

1. (b) (i)	<u>Sally's estate</u>	
	House	£1,500,000
	Cash ISA	£80,000
	Current Account	£60,000
	GIA	£375,000
	AIM share portfolio	£295,000
	Stocks & Shares ISA	£125,000
	Total	£2,435,000

RNRB tapering

$£2,435,000 - £2,000,000 = £435,000$

$£435,000 / 2 = £217,500$

$£175,000 \times 2 = £350,000$

less $£217,500 = £132,500$

*Value of estate less business (£295,000)
relief for AIM share portfolio*

Total estate	£2,140,000
less NRB	£650,000
less RNRB	£132,50

Taxable estate **£1,357,500**

x 40%

Tax payable on estate **£543,000**

(ii) *Candidates would have scored full marks for any six of the following:*

- Sally could have made a gift at any time up to the date of death/death bed transfer
- to reduce the value of her estate below £2,000,000
- which would have reinstated the RNRB in full
- reducing the IHT payable on her home/estate.
- The gift would have remained chargeable to IHT
- less annual exemptions/2 x £3,000
- as Sally would not have survived 7 years from the date the gift was made.

- 1. (c) (i)**
- The trustees are liable to Income Tax
 - at 8.75% on dividend income
 - and 20% on all other income
 - with no personal allowance/dividend allowance/Personal Savings Allowance (PSA).
- (ii)**
- Income is distributed to Penny with a credit for tax paid by the trustees.
 - If Penny pays tax at the higher rates
 - she will pay additional tax on income
 - in excess of any available PSA/dividend allowance.
 - If Penny is a non-taxpayer/basic-rate taxpayer
 - she may be able to reclaim tax
 - on any income covered by her Personal allowance/PSA/dividend allowance.
- 1. (d) (i)**
- No Capital Gains Tax (CGT)
 - on any increase in value between the date of acquisition
 - and the date of Penny's death.
 - The base cost of the trust assets is revalued to the market value on the death of death
 - and the trustees will be subject to CGT when they dispose of the asset.
 - Holdover relief may be available
 - if the assets are transferred to beneficiaries.
- (ii)**
- Penny would be deemed to have made a transfer of value/the value of the trust is included in Penny's estate
 - for IHT purposes.
 - The tax charge is calculated using her rates/exemptions
 - but the tax is payable by the trustees out of the trust fund.
 - The trust will become relevant property
 - and potentially subject to future periodic/exit charges.
- 1. (e)** *Candidates would have scored full marks for any six of the following:*
- Penny could retire as a trustee whilst she remains mentally capable.
 - If there are no express powers in the trust to remove a trustee
 - Theo and Robin could
 - replace Penny as a trustee
 - after she has lost mental capacity
 - using the powers in section 36 Trustee Act 1925
 - after approval from the Court of Protection (COP)
 - or, failing that, a replacement trustee may be appointed by the Courts.

1. (f)

Candidates would have scored full marks for any eight of the following:

- There would be no one with the legal rights to make decisions about Penny's financial affairs
- or her health and welfare.
- Penny's assets would be inaccessible
- until a deputyship order is in place/until a deputy is appointed.

- An application to the COP would be required
- which is costly
- and time consuming.
- Penny will have no say who is appointed to manage her affairs or make decisions on her behalf.
- The powers of the Deputy may be more limited than an attorney appointed under an LPA/EPA.

1. (g)

- Theo will be automatically UK resident
- even though he will not spend 183 days or more in the UK in 2023/2024
- as he has a home in the UK
- for at least 91 consecutive days
- of which at least 30 days are within the tax year
- and he will have spent at least 30 days present in the home
- and he has no overseas home.

1. (h)

- The gain was not taxable in the 2021/2022 tax year
- as Theo was non-UK resident.

- The gain will be potentially subject to Income Tax
- in the tax year he returns to the UK
- as Theo's period of non-UK residence was temporary.

- A time apportioned reduction will apply
- for the period/number of days he was non-UK resident.

Model answer for Question 2

2. (a)	Non-Savings Income (£)	Savings Income (£)	Dividend (£)	Income
Salary	265,000			
Benefit in Kind	5,000			
Interest		1,450		
Dividends			2,700	

Gross Income

£265,000 + £5,000 + £1,450 + £2,700 = £274,150

Adjusted Net Income

£274,150 - £40,000 gross pension contribution = £234,150

No Personal Allowance as adjusted net income is more than £125,140

£37,700 + £40,000 = £77,700

x 20% = £15,540

(£125,140 + £40,000) - £77,700 = £87,440

x 40% = £34,976

£270,000 – (£125,140 + £40,000) = £104,860

x 45% = £47,187

£1,450 x 45% = £652.50

£1,000 x 0%

£1,700 x 39.35% = £668.95

Total Income Tax liability = £99,024.45

Plus High Income Child Benefit Charge = £2,901.60

Total = £101,926.05

2. (b) Jitesh

£265,000/52 = £5,096.15 per week

£242 x 0%

£725 x 12% = £87

Above £967 = £4,129.15

x 2% = £82.58

£169.58 per week

2. (c) *Candidates would have scored full marks for any four of the following:*

- Tax and Class 1 NICs deducted through PAYE must be paid to HMRC by
- 22nd of the next tax month.
- If paying by cheque/not paying electronically;
- must reach HMRC by 19th
- Class 1A NICs on benefits is paid on 22nd July after end of the tax year.

2. (d)

- As Jitesh's threshold income is over £200,000
- and his adjusted income is over £260,000 the annual allowance (AA) will be tapered.
- Reduction is £1 for every £2 that income exceeds £260,000
- Jitesh earns £274,150 - £260,000 = £14,150/2 = £7,075
- £60,000 - £7,075 = £52,925

2. (e) *Candidates would have scored three marks for any five of the following:*

- A company can raise £250,000 in the relevant period.
- Gross assets must be less than £350,000.
- The company must be a new qualifying trade established in the UK.
- The company must be less than 3 years old.
- Less than 25 full time equivalent employees.
- The company must be unlisted.

2. (f) *Candidates would have scored three marks for any five of the following:*

- Age of children/timescale.
- Aims and objectives/ Environmental, Social and Governance (ESG)/ethical/capital or income requirement.
- Use of junior ISAs/maximum investment.
- Use of trusts/control/ownership.
- Parental settlement rules.
- Lump sum or regular savings/affordability.
- Jitesh and Sita's adventurous attitude to risk/capacity for loss (CFL).

Model answer for Question 3

- 3. (a) (i)**
- The property is situated in the UK
 - and is Caitlin's home.
 - It is furnished
 - and it is not a self-contained unit.
- (ii)**
- Caitlin can claim the £7,500 tax-free allowance
 - meaning £10,000 - £7,500 = £2,500 is chargeable to Income Tax.
 - The £7,500 limit is the same even if Caitlin lets the room for less than 12 months.
 - Claiming tax relief is likely to be more tax advantageous than being taxed on the normal basis, i.e. income less expenses.
- (iii)**
- The rental income and expenses would be apportioned 50:50 between them.
 - Caitlin and Marc will share the £7,500 Rent a Room scheme allowance/£3,750 each.
 - As Marc is a higher-rate taxpayer, more Income Tax would be due on the rental income overall.

3. (b)

£550,000 - £10,000 costs
 = £540,000
 Minus purchase price of £300,000
 + costs £4,500
 = £235,500

PRR - £235,500 x 80% = £188,400

Letting Relief lower of:

PRR: £188,400

Letting Relief limit: £40,000

Gain from letting: £235,500 x 20% = £47,100

Taxable gain

£235,500 - £188,400 PRR

- £40,000 Letting Relief

= £7,100

£6,000 AEA

= £1,100

x 18%

CGT payable £198

- 3. (c)** *Candidates would have scored three marks for any seven of the following:*
- As they are married, the transfer of equity to Marc would be on a no gain/no loss basis
 - meaning no CGT liability would arise.

 - Marc would take on Caitlin's acquisition price and costs on his half share.
 - He can claim PRR/Letting Relief
 - from the date the property became his main residence/he was in shared ownership with a tenant.

 - Marc's gain will be subject to CGT.
 - He can use his CGT annual exempt amount.
 - He is a higher rate taxpayer so he would pay CGT at 28%
- 3. (d)**
- (i)**
- The Will is revoked
 - upon marriage
 - unless it was set up in anticipation of the marriage.
- (ii)**
- The testator must be over 18
 - of sound mind
 - and under no pressure to make a Will.
 - The Will must be in writing
 - signed by the testator
 - and the signature must be witnessed by two independent witnesses.

Glossary of terms

Some abbreviations candidates can use in on-screen written exams:

1. ATR – Attitude to risk
2. AA – Annual allowance
3. BRT – Basic rate taxpayer
4. BIK – Benefit in kind
5. CLT – Chargeable lifetime transfer
6. CFL – Capacity for loss
7. CGT – Capital Gains Tax
8. COP – Court of Protection
9. DOV – Deed of Variation
10. DIS – Death-in-Service
11. DFM – Discretionary Fund Manager
12. EIS – Enterprise Investment Scheme
13. ESG – Environmental, Social and Governance
14. EPT – Excluded property trust
15. EPA – Enduring power of attorney
16. ERC – Early repayment charges
17. FAD – Flexi-access drawdown
18. FSCS – Financial Services Compensation Scheme
19. FOS – Financial Ombudsman Service
20. GAR – Guaranteed annuity rate
21. HRT – Higher rate taxpayer
22. IHT – Inheritance Tax
23. HMRC – HM Revenue & Customs
24. IT – Income Tax
25. IVA – Individual Voluntary Arrangement
26. IPDI – Immediate Post Death Interest Trust
27. LPA – Lasting Power of Attorney
28. LTA – Lifetime allowance
29. MVR – Market value reduction
30. MPAA – Money purchase annual allowance
31. NICs – National Insurance Contributions
32. NPA – Normal pension age
33. NRA – Normal retirement age
34. NRB – Nil rate band
35. OPG – Office of the Public Guardian
36. OEIC – Open ended investment company
37. PAYE – Pay As you Earn
38. PPP – Personal pension plan
39. PCLS – Pension commencement lump sum
40. PA – Personal allowance
41. PSA – Personal savings allowance
42. PRR – Private Residence Relief
43. RAC – Retirement annuity contract
44. RNRB – Residence nil rate band
45. SIPP – Self-invested personal pension plan
46. SEIS – Seed Enterprise Investment Scheme
47. UFPLS – Uncrystallised fund pension lump sum
48. VCT – Venture capital trust

All questions in the February 2024 paper will be based on English law and practice applicable in the tax year 2023/2024, unless stated otherwise and should be answered accordingly.

The Tax Tables which follow are applicable to the September 2023 and February 2024 examinations.

INCOME TAX

RATES OF TAX	2022/2023	2023/2024
Starting rate for savings*	0%	0%
Basic rate	20%	20%
Higher rate	40%	40%
Additional rate	45%	45%
Starting-rate limit	£5,000*	£5,000*
Threshold of taxable income above which higher rate applies	£37,700	£37,700
Threshold of taxable income above which additional rate applies	£150,000	£125,140
High income child benefit charge:	1% of benefit per £100 of adjusted net income between £50,000 – £60,000	
<i>*Only applicable to savings income that falls within the first £5,000 of income in excess of the personal allowance.</i>		
Personal savings allowance (for savings income):		
Basic rate taxpayers	£1,000	£1,000
Higher rate taxpayers	£500	£500
Additional rate taxpayers	Nil	Nil
Dividend Allowance	£2,000	£1,000
Dividend tax rates		
Basic rate	8.75%	8.75%
Higher rate	33.75%	33.75%
Additional rate	39.35%	39.35%
Trusts		
Standard rate band	£1,000	£1,000
Rate applicable to trusts		
- dividends	39.35%	39.35%
- other income	45%	45%
MAIN PERSONAL ALLOWANCES AND RELIEFS		
Income limit for Personal Allowance §	£100,000	£100,000
Personal Allowance (basic) §	£12,570	£12,570
Married/civil partners (minimum) at 10% †	£3,640	£4,010
Married/civil partners at 10% †	£9,415	£10,375
Marriage Allowance	£1,260	£1,260
Income limit for Married Couple's Allowance †	£31,400	£34,600
Rent a Room scheme – tax free income allowance	£7,500	£7,500
Blind Person's Allowance	£2,600	£2,870
Enterprise Investment Scheme relief limit on £2,000,000 max**	30%	30%
Seed Enterprise Investment relief limit on £200,000 max	50%	50%
Venture Capital Trust relief limit on £200,000 max	30%	30%
<i>§ the Personal Allowance reduces by £1 for every £2 of income above the income limit irrespective of age (under the income threshold).</i>		
<i>† where at least one spouse/civil partner was born before 6 April 1935.</i>		
<i>** Investment above £1,000,000 must be in knowledge-intensive companies.</i>		
Child Tax Credit (CTC)		
- Child element per child (maximum)	£2,935	£3,235
- family element	£545	£545
Threshold for tapered withdrawal of CTC	£17,005	£18,725

NATIONAL INSURANCE CONTRIBUTIONS

Class 1 Employee

Weekly

Lower Earnings Limit (LEL)	£123
Primary threshold	£242
Upper Earnings Limit (UEL)	£967

Total earnings £ per week

CLASS 1 EMPLOYEE CONTRIBUTIONS

Up to 242.00*	Nil
242.00 – 967.00	12%
Above 967.00	2%

**This is the primary threshold below which no NI contributions are payable. However, the lower earnings limit is £123 per week. This £123 to £242 band is a zero-rate band introduced in order to protect lower earners' rights to contributory State benefits e.g. the New State Pension.*

Total earnings £ per week

CLASS 1 EMPLOYER CONTRIBUTIONS

Below 175.00**	Nil
Over £175.00	13.8%

*** Secondary threshold.*

CLASS 2 (self-employed)

Flat rate per week	£3.45
Small profits threshold per year	£6,725
Lower profits limit per year	£12,570

Class 3 (voluntary)

Flat rate per week £17.45.

Class 4 (self-employed)

9% on profits between £12,570 and up to £50,270.
2% on profits above £50,270.

PENSIONS

TAX YEAR	LIFETIME ALLOWANCE
2006/2007	£1,500,000
2007/2008	£1,600,000
2008/2009	£1,650,000
2009/2010	£1,750,000
2010/2011	£1,800,000
2011/2012	£1,800,000
2012/2013 & 2013/2014	£1,500,000
2014/2015 & 2015/2016	£1,250,000
2016/2017 & 2017/2018	£1,000,000
2018/2019	£1,030,000
2019/2020	£1,055,000
2020/2021 – 2023/2024*	£1,073,100

**Lifetime allowance charge removed after 5 April 2023. Any excess over the lifetime allowance that would have been subject to a lifetime allowance charge of 55% prior to 2023/2024 will be taxable as the member's pension income via PAYE.*

Maximum tax-free pension commencement lump sum in 2023/2024 is £268,275 unless a higher amount is protected.

ANNUAL ALLOWANCE	
TAX YEAR	ANNUAL ALLOWANCE
2014/2015 – 2022/2023	£40,000*
2023/2024	£60,000**

**From 6 April 2016 the annual allowance is reduced for those with income above a certain level. Between 2020/21 and 2022/23 the annual allowance will be reduced by £1 for every £2 of 'adjusted income' over £240,000 to a minimum of £4,000 if 'threshold income' is also over £200,000.*

***Reducing by £1 for every £2 of 'adjusted income' over £260,000 to a minimum of £10,000 if 'threshold income' is also over £200,000.*

ANNUAL ALLOWANCE CHARGE	
20% – 45% determined by the member's taxable income and the amount of total pension input in excess of the annual allowance or money purchase annual allowance.	

MONEY PURCHASE ANNUAL ALLOWANCE	2022/2023	2023/2024
	£4,000	£10,000

CAPITAL GAINS TAX

ANNUAL EXEMPTIONS	2022/2023	2023/2024
Individuals, estates etc	£12,300	£6,000
Trusts generally	£6,150	£3,000
Chattels proceeds (restricted to five thirds of proceeds exceeding limit)	£6,000	£6,000

TAX RATES		
Individuals:		
Up to basic rate limit	10%	10%
Above basic rate limit	20%	20%
Surcharge for residential property and carried interest	8%	8%
Trustees and Personal Representatives:		
Residential property	28%	28%
Other chargeable assets	20%	20%
Business Asset Disposal Relief*	10%	10%
Lifetime limit	£1,000,000	£1,000,000

**For trading businesses and companies (minimum 5% employee or director shareholding) if held for at least two years.*

INHERITANCE TAX

RATES OF TAX ON TRANSFERS 2022/2023 2023/2024

Transfers made on death		
- Up to £325,000	Nil	Nil
- Excess over £325,000	40%	40%
- Reduced rate (where appropriate charitable contributions are made)	36%	36%
Transfers		
- Lifetime transfers to and from certain trusts	20%	20%

MAIN EXEMPTION

Transfers to		
- UK-domiciled spouse/civil partner	No limit	No limit
- non-UK-domiciled spouse/civil partner (from UK-domiciled spouse)	£325,000	£325,000
- main residence nil rate band*	£175,000	£175,000
- UK-registered charities	No limit	No limit

**Available for estates up to £2,000,000 and then tapered at the rate of £1 for every £2 in excess until fully extinguished.*

Lifetime transfers		
- Annual exemption per donor	£3,000	£3,000
- Annual small gifts exemption per donor	£250	£250
Wedding/civil partnership gifts by		
- parent	£5,000	£5,000
- grandparent/bride and/or groom	£2,500	£2,500
- other person	£1,000	£1,000

100% relief: businesses, unlisted/AIM companies, certain farmland/building

50% relief: certain other business assets

Reduced tax charge on gifts within 7 years of death:

- Years before death	0-3	3-4	4-5	5-6	6-7
- Inheritance Tax payable	100%	80%	60%	40%	20%

Quick succession relief:

- Years since IHT paid	0-1	1-2	2-3	3-4	4-5
- Inheritance Tax relief	100%	80%	60%	40%	20%

MAIN SOCIAL SECURITY BENEFITS

		2022/2023	2023/2024
		£	£
Child Benefit	First child	21.80	24.00
	Subsequent children	14.45	15.90
	Guardian's allowance	18.55	20.40
Employment and Support Allowance	Assessment Phase		
	Age 16 - 24	Up to 61.05	Up to 67.20
	Aged 25 or over	Up to 77.00	Up to 84.80
	Main Phase		
	Work Related Activity Group	Up to 107.60	Up to 84.80*
	Support Group	Up to 117.60	Up to 129.50
Attendance Allowance	Lower rate	61.85	68.10
	Higher rate	92.40	101.75
Basic State Pension	Category A full rate	141.85	156.20
	Category B full rate	85.00	93.60
New State Pension	Full rate	185.15	203.85
Pension Credit	Standard minimum guarantee - single	182.60	201.05
	Standard minimum guarantee - couple	278.70	306.85
	Maximum savings ignored in calculating income	10,000.00	10,000.00
Bereavement Support Payment	Higher rate – First payment	3,500.00	3,500.00
	Higher rate – monthly payment	350.00	350.00
	Lower rate – First payment	2,500.00	2,500.00
	Lower rate – monthly payment	100.00	100.00
Jobseeker's Allowance	Age 18 - 24	61.05	67.20
	Age 25 or over	77.00	84.80
Statutory Maternity, Paternity and Adoption Pay		156.66	172.48

**If a claim has begun before 3rd April 2017 the individual will also be awarded the Work Related Activity Component payment which in 2023/2024 is £33.70, so total awarded for these individuals may be up to £118.50.*

CORPORATION TAX

	2022/2023	2023/2024
Small profit rate - for taxable profits below £50,000	N/A	19%
Marginal rate – for taxable profits between £50,001 - £250,000	N/A	26.5%
Standard rate - for taxable profits above £250,000	19%	25%

VALUE ADDED TAX

	2022/2023	2023/2024
Standard rate	20%	20%
Annual registration threshold	£85,000	£85,000
Deregistration threshold	£83,000	£83,000

STAMP DUTY LAND TAX

	Residential
Value up to £250,000	0%
£250,001 - £925,000	5%
£925,001 - £1,500,000	10%
£1,500,001 and over	12%

Additional Stamp Duty Land Tax (SDLT) rules apply as follows:

- *First-time buyers benefit from SDLT relief on first £425,000 for properties up to £625,000 when purchasing their main residence. On purchases up to £425,000, no SDLT is payable. On purchases between £425,001 and £625,000, a flat rate of 5% is charged on the balance above £425,000.*
- *Additional SDLT of 3% may apply to the purchase of additional residential properties purchased for £40,000 or greater.*
- *SDLT may be charged at 15% on interests in residential dwellings costing more than £500,000 purchased by certain corporate bodies or non-natural persons.*
- *SDLT is payable in England and Northern Ireland only. Land Transaction Tax (LTT) is payable in Wales and Land and Buildings Transaction Tax (LBTT) is payable in Scotland. The rates for LTT and LBTT are different to the rates shown above.*

	Non residential
Value up to £150,000	0%
£150,001 and £250,000	2%
£250,001 and over	5%